

After the Great Recession, the global economy went through a decade which was defined by a lack of demand as well as stable to weak inflation. After the pandemic recession, it has entered a period (which can roughly be another 10 years) - that is defined by not enough supply of goods and services as well as well entrenched inflation.

There are true shortages stemming from underinvestment in productive things like housing, skilled labour, and energy (and over-investment in questionable things like blockchain, SaaS, and food delivery).

Fed can't fight this inflation by addressing the actual root cause. Its only button is higher interest rates and reducing its Balance sheet to shrink supply of credit and depress consumer and business

spending . So long they remain elevated, Fed is not going to relent and there is no respite.

Besides the Rate hikes , its QT which would make discernible impact in 2023 .At the current pace, the Fed will shed \$1.6 trillion in assets by end 2023, reducing its overall balance sheet by roughly 18 % . - a reduction of that size should tighten financial conditions significantly.

2022 can't be forgotten so easily-On Sept 28, 2022, USD ,EUR and GBP were closer to a triple parity than ever before. For now ,however Year end rebalancing flows to lead USD index - low liquidity- potentially volatile. Look for 104.10 close to confirm upside in 2023.

EUR/USD support is 21dma at 1.0583 and

break would be bearish.

USD/CNY opens 6.9801 vs close 6.9825;  
Hovers near 21dma at 6.9797 - would look  
to close above 7.0252 tomorrow.

Feb 2 might see unprecedented BoE MPC  
vote split .Money mkts currently see 70%  
chance of 50 bps BoE hike Feb 2 vs 43%  
pre-Xmas.Yesterday's 1.2003 Asian low  
vulnerable .

No significant Japan news, so year end  
flows likely behind this dip. Important to  
note that there have been six days of  
higher lows since BOJ yield curve policy  
change on Dec 20. 133.50 134.50.

USDINR made a brief attempt past 82.88  
on month end expiry but reverted back .  
May make another try towards Bollinger

uptrend channel at 82.96.